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■ Cover—747 test airplane, customer insignia proudly displayed, begins another day's work.

Below—On the flight line 747 superjets are prepared for delivery to the world's airlines.

HIGHLIGHTS

	1970	1969
Sales	\$3,677,073,000	\$2,834,585,000
Net earnings	22,090,000	10,230,000
Dividends paid	8,673,000	25,998,000
Net earnings per average share outstanding	\$1.02	\$.47
Dividends paid per share40	1.20
Percent net earnings to sales	0.6%	0.4%
Shares outstanding at year end	21,683,102	21,683,102
Stockholders' equity per share	\$37.33	\$36.71
Salaries and wages	\$ 943,311,000	\$1,321,700,000
Average number of employees	79,100	120,500
Additions to property, plant and equipment . \$	21,337,000	\$ 86,907,000
Depreciation and amortization of property, plant and equipment	98,372,000	105,325,000
Backlog at year end	\$3,032,600,000	\$5,182,800,000

Annual meeting of Boeing stockholders will be held at the offices of the company, Seattle, Washington, on April 26, 1971. Formal notice of the meeting, proxy statement and form of proxy will be sent to stockholders about April 1.



T. A. Wilson



William M. Allen

MESSAGE TO STOCKHOLDERS

1970 sales, highest in the company's history, were \$3,677,073,000, an increase of \$842,488,000 over sales in 1969. Net earnings of \$22,090,000 include operating earnings of \$4,790,000 and investment tax credit amortization of \$17,300,000. This compared with net earnings of \$10.2 million in 1969, which included investment tax credit amortization of \$17 million, offset by an after-tax operating loss of \$6.8 million. Net earnings per share in 1970 were \$1.02 and net profit on sales was six-tenths of one per cent, up from 47 cents and four-tenths of one per cent.

The continued low level of earnings from current operations is a reflection of several pressures. These include (1) substantially reduced production and delivery rates on the 707, 727 and 737 jet transport programs, (2) lower earnings on reduced government program sales, (3) inflationary cost increases that affected all phases of the company's operations, (4) commercial program writeoffs, (5) unanticipated engine and other costs in connection with the introduction of the 747 superjet, (6) expenditures in support of new business activities and (7) interest charges on the high level of debt. In greater or lesser degree these pressures continue to be felt.

In the company's traditional product lines, a number of significant accomplishments were recorded. The following are illustrative.

- In commercial aviation, it was the year of the 747. On January 21, 1971, the 747 superjets completed their first year of commercial service. The record of that 12 months is impressive. Ninety-eight 747s, wearing the colors of 18 airlines, carried 7 million passengers a distance of more than 71 million miles. The 30,000 revenue flights represented approxi-

mately 15.5 billion passenger miles. This is approximately five times the passenger miles logged by the 707 or 727 at the same point in service.

Surveys showed strong passenger preference for the 747, not only among first-time superjet travelers but among those who had flown in 747s three times or more. As the first year of service drew to a close, an average of one-quarter million passengers per week were flying 747s to 33 cities in 16 countries. Despite adverse seasonal and economic factors, passenger loads averaged approximately 180 per flight, nearly 50 per cent of capacity.

Daily flight time averaged more than 8 hours per airplane for the year, with some airlines exceeding 10 hours per airplane per day. This was attained despite certain difficulties experienced during the commercial introduction of the superjet. Some were the type that accompany the entry of all new airliners into service. Others, however, were new, stemming from the substantially larger number of passengers being served. After midsummer, weekly mechanical schedule reliability trended upward past 91 per cent, continuing to rise as the year ended. The company's goal is to reach 97 per cent in July, 1971.

John H. Reed, Chairman of the National Transportation Safety Board, summarized the first year performance:

"In this first year of service the 747 fleet . . . established so many operational and safety records—compared to all previous civil jet transports for a similar period—that I am convinced a great future lies ahead for the 747."

- A major business objective was attained in July, when the Air Force announced selection of the com-

pany as prime contractor for the Airborne Warning and Control System (AWACS). The nearly \$170 million contract is for the first phase of a three-phase developmental program leading to AWACS production. The Air Force has stated that full AWACS production would involve a program of about \$2 billion.

- In January, 1971, the Air Force ordered the Short Range Attack Missile (SRAM) into production with a contract award of \$148 million for fiscal year 1971. This augments the \$35 million previously allocated from fiscal 1971 funds for long-lead procurement activity. SRAM production activity is expected to extend over the next four to five years.

- Late in 1970 initial orders were announced for the Advanced 727-200. Its basic modifications provide greater payload and/or range, and therefore greater airline profit potential, plus a new "superjet" interior which enhances the surroundings for passengers.

- During the second half of 1970 the United States Supersonic Transport Program became embroiled in national debate. Despite the heavy investment already made in the program by the government, as well as by Boeing and other industry participants, future funding for the program was in doubt at year-end. Government funding—at a rate which is less than its contractual commitment and will not permit the most economical performance on the program—is now being provided through a congressional resolution. Another vote on continuation of the program is to be taken by the end of March, 1971. The controversy, however, should not be permitted to obscure the solid progress made during the year. The program is on schedule and within budget.

An overview of the year's activity, however, can-

■ 707: The first member of the Boeing family of jet transports ushered in the commercial jet age in October 1958, continues in production at Renton, Washington. Shown here: 707-320C.



not be gleaned solely from a summary of the progress on individual programs. Many of the year's decisions and actions were broad in scope and will bear heavily on the shape of the future.

The aerospace industry is highly sensitive to shifts in the national economy and to fluctuations in the space and defense budgets. This was illustrated in the period from 1965 through 1967 when, with the economy rising, airlines experienced high growth rates and, recognizing the long lead time for new airplanes, placed substantial orders. This trend was accentuated by marketing activity for the 747, with its potential for increased economies and broad passenger appeal.

To meet the unprecedented volume of orders, the company was required to embark on a major expansion of its facilities and work force. Thus heavy investments in facilities were superimposed on equally burdensome outlays for the development of new aircraft. This occurred at a time of rising labor costs and high interest rates.

Then, coincident with a decline in the defense budget and a slackening in the space program, the national economy began its downturn. Aircraft orders dropped to the lowest point since 1963. Fortunately the downturn in the domestic economy has not been reflected in a similar decline abroad. The importance of export orders to the company is am-

ply illustrated by the fact that 26 of the 29 customers making purchases in 1970 are outside the United States, as are eight of the nine customers buying Boeing equipment for the first time.

The strong challenges posed by shifting economic factors required equally strong reactions. These included manpower reductions, consolidation of production, and sale or retirement of surplus equipment and facilities.

With the current level of company business, coupled with the increase in efficiency expected on new programs, manpower requirements continued to decline. Accordingly substantial reductions were carried out throughout 1970. During the 12 months, company employment was reduced by 46,000. Nationwide company employment stood at 62,700 on December 31, 1970.

The divisions producing the 707, 727 and 737 were consolidated in order to maintain efficiency at lower production rates. The consolidation was undertaken during the last half of 1970 and by year-end, cost reductions exceeded expenditures associated with the move. Substantial savings are expected during 1971.

Plant capacity was reduced by approximately four million square feet in 1970. This reduction was largely in the areas of government-owned and leased facilities. Further reductions are continuing



in 1971, including planned disposition of company-owned property in excess of current requirements. Of special note was the sale in early 1971 of Plant 1 in Seattle, where company operations began in 1916.

Actions responsive to current economic pressures were not confined to consolidation. Many were directed at broadening the base of company operations.

Thus, during the year the company's computer operations were restructured to permit them to serve the company and to market a full line of computer services throughout the United States and Canada. Boeing Computer Services has now been incorporated as a subsidiary, one of the largest organizations in its field.

The Federal Department of Housing and Urban Development awarded the company a contract under the "Operation Breakthrough" program. The contract is for site development and management of two projects in King County, Washington. Although relatively small, the contract will permit the company to evaluate the potential of the entire housing field.

Markets for certain specialized electronics are being actively pursued and increased emphasis is being placed on hydrofoil boats.

It must be recognized, however, that these programs hold limited prospect for near-term benefit

to the company. We continue to require substantial new business in our established fields and we are vigorously pursuing government contracts and orders for commercial jet transports to provide it.

In the commercial aircraft arena we are expending considerable effort to insure customer satisfaction. We are especially gratified with our success in the non-United States market, and with the fact that nine purchasers of jet equipment in 1970 are new Boeing customers. We play significant roles in the government's space and defense programs. We will spare no efforts to enhance those roles.

We ended 1970 leaner, tougher, more competitive than we were at the beginning of the year. This will be reflected in the quality of the proposals we submit for future business.

P. A. Wilson
President

William H. Allen
Chairman of the Board

February 26, 1971



■ 747 superjet drew large crowds, warm welcome during 40,000-mile company demonstration tour.

COMMERCIAL AIRCRAFT

While the 747 superjets in service were compiling their impressive first-year statistics, substantial progress was being recorded in other phases of the program.

Considerable attention abroad was attracted by a company demonstration tour in November and December. A 747 traveled 40,000 miles to visit cities in Latin America, Pakistan, Iran and Greece. More than 2,100 passengers—government, airline and business leaders—were carried on demonstration flights in the course of the tour.

During the year the airplane's growth potential was being steadily realized, as FAA certification was accorded both the 747A and the 747B. The gross takeoff weight of the 747A is 735,000 pounds, compared with the 747's 710,000 pounds. The additional 25,000 pounds add increased range or payload or a combination of both. The 747 can be retrofitted to the configuration of the 747A.

Weighing 775,000 pounds at maximum gross

takeoff weight, 65,000 pounds more than the 747, the 747B has even greater range and payload. In a dramatic developmental test, keyed to possible future growth, the first 747B established a new world record for takeoff weight, rising into the air at a gross weight of 820,700 pounds and exceeding by at least 10 tons the highest takeoff load previously recorded by any aircraft.

The varied growth capability of the 747 may be illustrated by the fact that one version of the aircraft is being equipped with an extended upper-deck passenger cabin, seating as many as 21 first-class passengers, with a new lounge aft of the cabin.

Production also is proceeding on the 747F program. The first freighter, scheduled for delivery in early 1972, is more than 30 per cent completed. The 747F could provide the impetus for a major breakthrough in air cargo. Although recent growth of air freight traffic has been moderate, statistical forecasts show strong long-range growth. This trend

■ 727 Trijet: This view of world's most widely sold jetliner emphasizes high T-tail, three rear-mounted engines and integral airstairs.

could well be accentuated by the development of a system permitting interchange of containers between surface vehicles and aircraft. With sea and land transportation moving rapidly to containerization, air freight must move in the same direction. The 747F was designed from the outset with this capability. Its dimensions, structure and loading access will accommodate 8' x 8' x 40' containers.

- During 1970 the company delivered a total of 202 commercial aircraft: ninety-two 747s, nineteen 707s, fifty-four 727s and thirty-seven 737s.

Orders for jetliners announced in 1970 totaled 103: twenty-three 747s, thirteen 707s, forty-eight 727s and nineteen 737s. Twenty-nine customers were represented. In addition, thirteen used 720s—not included in the 103 new orders noted—were sold to five customers.

747s were ordered by 10 airlines, bringing to 204 the total of 747s ordered by 29 carriers. Forty-three orders are for the 747B, which has been selected by 12 airlines. First 747B delivery was made in January, 1971.

Seventy-nine 747s were factory-completed in 1970, raising the total to 116. The production rate, which continued at seven airplanes per month at year-end, is being reduced.

Among the five customers ordering 707s was the Canadian Government which purchased and received four 707 transport tankers. They are to be used as versatile military transports and will be the first 707s to have tanker capability. Additional sales of this model are expected.

The orders for the 727 demonstrate the continuing popularity of the trijet as well as its continuing development. Included are orders for the Advanced 727-200, the improved performance version of the airplane with increased fuel supply, higher landing and takeoff weights, plus the "superjet look."

The Advanced 727-200 has substantially greater payload-range capabilities than the current 727. Its wide-bodied interior look, achieved without altering the basic fuselage cross-section, features enclosed overhead stowage compartments, flush-mounted passenger service units, and sculptured sidewall panels which impart a near-vertical appearance to the cabin wall. The new interior will be standard on all 727-200s delivered beginning in 1972. Two other available features are a higher thrust engine and a



■ On Pakistan leg of tour, 747 delivered 45,000 pounds of relief supplies for disaster victims.



jet-assisted takeoff installation for increasing take-off performance at high altitude airports.

The 727 moved into the business jet category in November when IT&T Corporation announced the purchase of a 727-100 to carry company personnel and high priority cargo among the firm's hundreds of locations around the globe.

The 737 twinjet commanded its share of attention. Flight-testing, directed toward certification by the FAA in the spring of 1971, was initiated in December for the basic Advanced 737 improvements. The Advanced 737, which will feature performance improvements for operating from shorter runways or flying farther with heavier payloads, will become the standard production model, with deliveries beginning in May, 1971.

By year-end, sales of "superjet look" interiors for 727s and 707s totaled 28, including both new aircraft and retrofit kits.

- A major milestone in the annals of commercial transportation was passed on November 10 with the delivery of Boeing jetliner No. 2001—a 747. Boeing jetliners are flown by 112 carriers in 51 nations. They have transported more than 660 million passengers a distance of more than 11 billion miles in the 12 years since the 707 inaugurated commercial jet flight.

The 2,000 deliveries included 845 Model 707/720 four-engine transports, 815 Model 727 trijets, 256 Model 737 twinjets and 84 superjet 747s. All models, except the 720, are still in production. Non-U.S. customers accounted for 634 of the aircraft; the total purchase price of nearly \$3.5 billion significantly affected the United States balance of payments.

One measure of the economic impact of 2,000 aircraft: subcontractors and suppliers received 55 per cent of total production costs, representing approximately \$6.5 billion. In the United States, California, Connecticut and Washington lead in the value of subcontracts and orders, but 40 other states are on the list of those providing \$100 thousand or more in components, parts and supplies.

■ Top: Twin-jet 737, smallest member of family, flight testing major performance improvements.

Center: Consolidated production of 707, 727, 737.

Bottom: New "superjet" interior, shown here in 727-200, is also available for long-range 707.



■ SST mockup provides background for address by U.S. Secretary of Transportation John A. Volpe.

SUPERSONIC TRANSPORT

The controversy surrounding the United States Supersonic Transport and the environment has tended to conceal the very real merits of the aircraft and the progress made on the program during 1970.

The design of the SST is a balanced combination of performance, flying qualities and operational characteristics, with no compromise of safety requirements. Close coordination with the world's airlines, air traffic control agencies and airports insures that the plane will be a thoroughly practical aircraft, one that is compatible with the air and ground transportation systems of the 1980s.

Ultimately the success of an airliner depends upon its appeal to passengers. The SST passenger will be provided, at fares projected to be competitive in the 1980s, the same comfort level offered by the latest subsonic jets, plus the added conven-

ience of substantially shorter flight times. The flexibility in its arrival and departure times, resulting from its increased speed, will help to minimize congestion in the air and at airports, an especially significant advantage in the light of air traffic forecasts which indicate a dramatic increase in the number of people flying by the end of this decade.

As to the SST and the environment, studies by numerous scientific committees, as well as Boeing's own research, offer no evidence that a fleet of more than 500 SSTs will have any detrimental effect on the environment. In fact, jet aircraft as a whole contribute only a small percentage of total air pollution and there is ample evidence that the SST, as a rapid transit system for long distances, will be one of the cleanest forms of transportation ever devised.

During 1970 substantial progress was made on

the program to build and fly two SST prototype airplanes. Structural work on a full-scale metal mock-up for engineering and manufacturing use has been completed. Not a showpiece, the mockup will be used throughout the prototype program to verify details of the aircraft's design. The mockup has been continually upgraded with the installation of hydraulic, mechanical, electrical and environmental systems—all to closer tolerances than ever before maintained.

During the latter half of the year, the program moved into the drawing release, fabrication, and procurement phase. Procurement plans were completed, most purchased equipment was under contract, and tool design and fabrication work was under way. At year-end the program was on schedule, costs were on target, and engineering studies indicated the airplanes would meet their performance goals.

Reflecting this pace, the work force in Seattle at year-end had built up to more than 4,400 people directly on the program and 1,800 in supporting organizations. Another manpower buildup required in the first months of 1971 for the construction of main assembly tools has been delayed because of the previously noted deficiency in government funding. The first major structural assembly work on the number one prototype was to occur in June, with the first body joining in late 1971. Final assembly was

scheduled to get under way in April, 1972. How closely these schedules can be met depends on the level of funding authorized by Congress beyond March, 1971.

Operating tests of the GE4 engines continued during 1970 at General Electric plants at Evendale and Peebles, Ohio. Eight prototype SST engines built thus far have been tested at speed, altitude and temperature conditions that will be encountered in typical subsonic and supersonic flight.

A nationwide team of subcontractors and suppliers has been assembled. Seven firms make up the major subcontracting team for the prototype program: Aeronca, Cleveland Pneumatic, Fairchild Hiller Republic, Heath Tecna, North American Rockwell, Northrop and Rohr. (In addition, Boeing's Wichita Division will construct two fuselage sections.)

The team members were chosen on the basis of their ability to produce a quality product economically and to share in the financial risk. They bring to the program, in addition to a sound manufacturing base, considerable administrative and management talent plus engineering and technical support. Like Boeing and General Electric, all major subcontractors are participating financially. They are sharing a percentage of the program costs and are obligating existing facilities as well as funds for new facilities.

■ This 28-foot-long all-titanium section is one of first major assemblies built for U.S. SST. Two prototype planes will use 160 such panels.



■ Titanium cab section on left was built for SST experimental metals testing; the duplicate cab mockup at right is for aircraft controls work.





■ Artist's concept of production AWACS system as it will appear with 30-foot-diameter radome mounted on 8-engine version of 707-320.

MILITARY PRODUCTS

Despite the steady decrease in the nation's defense budget, the company attained several objectives in the military business field.

- In July the company was named prime contractor for the U.S. Air Force's Airborne Warning and Control System (AWACS), culminating five years of competition. The nearly \$170 million contract award applies to the initial phase of a developmental program leading to production.

AWACS is to provide surveillance and to serve as a command-and-control center for air defense and tactical forces to an extent not possible with propeller aircraft and ground-based radar and command centers. The system consists essentially of a long-range jet aircraft carrying a powerful radar and the related navigation, data processing and communications equipment. The key to AWACS is its powerful radar which is capable of "looking down" and separating airborne targets from the ground clutter which confuses present-day radar.

The initial, or "test-bed flight," phase is designed to demonstrate the technical feasibility of the AWACS radar and to evaluate the capabilities of two competing radars to be supplied by Hughes Aircraft and Westinghouse. For this evaluation the radars will be installed on two 707 aircraft.

Progression to other phases of the program, including production, depends upon the successful outcome of Phase I. A production AWACS system would employ a version of the 707-320 jet aircraft equipped with eight General Electric high performance engines. To house the radar antenna, a radome assembly measuring 30 feet in diameter would be mounted on pylons on the fuselage.

It is estimated that the full program, on a production option of 42 aircraft, would represent approximately \$2 billion.

- During 1970, 26 SRAM missiles were launched in the course of a flight test program which still is in progress. The tests included launches at supersonic



■ SRAM streaks down range following launch from a B-52 over the White Sands, New Mexico range. Twenty six test flights were made during 1970.

■ Helicopters aid Peru after quake: on a single flight, U.S. Army Chinook airlifted 150 adults and children over a 14,000-foot mountain range.



speeds, from high and low altitudes, and to targets abreast of and behind the launching aircraft. The level of performance achieved in the 26 launches provided the Air Force with the necessary confidence in the weapon system to authorize its production. The air-to-ground supersonic missile will be fitted to the FB-111 and to late-model B-52s. The company also has received a contract to define the technical coordination required for the inclusion of SRAM in the armament of the Air Force's B-1 strategic bomber.

- Modernization of the Minuteman system continued during 1970. In June the Strategic Air Command added the first flight of 10 Minuteman III missiles to its inventory of alert missiles. In December the first full squadron of 50 Minuteman III missiles was turned over to the Air Force at Minot Air Force Base, North Dakota, and the Air Force announced that Ellsworth Air Force Base in South Dakota would be the second Minuteman Wing to be equipped with Minuteman III. Preliminary work on modernization of the Ellsworth installation will start in the summer of 1971.

One thousand of the solid propellant rockets are deployed at six Air Force Wings in the North Central United States. Of these, 500 are Minuteman IIs and the remainder are Is and IIIs. The Minuteman III missile has more range, flexibility and capability than the earlier versions.

- Production of CH-47 Chinook and UH/CH-46 Sea Knight helicopters for the U.S. government continued throughout the year, but on a greatly reduced scale. Spare parts, retrofit kits and a component overhaul program provided a major part of helicopter-related sales, with delivery performance bettering required military supply targets. Late in 1970 the U.S. Navy contracted for cyclic maintenance work on Sea Knights. This contract supplemented the maintenance and crash battle damage work already being performed on Chinooks for the U.S. Army.

During the year the Department of Defense decided on a single heavy-lift helicopter (HLH) system to serve the three military services, and at year-end issued a request for proposal for the advanced-technology components of the system. This is an important program to the company, since it is one of only two projected new military helicopter programs. The

other is the Navy's light airborne multi-purpose system (LAMPS). For this, the company is considering various alternatives, including using the BO-105 hingeless rigid-rotor helicopter technology.

The company-funded Model 347 advanced technology helicopter made its first flight just before mid-year. While similar in appearance to the CH-47 Chinook, the Model 347 is larger, faster and quieter. To date the aircraft has met or exceeded all performance goals.

- The company has received an allocation of nearly \$3.5 million for the first phase of a B-52 modification contract valued at approximately \$6.9 million. The contract is for pre-production engineering of an electro-optical viewing system (EVS) for the G and H models of the B-52. The new system would permit blind flying, day or night, while maintaining awareness of all exterior events, terrain characteristics and position details.

- Early in 1971 a major business goal was established when the company joined the General Dynamics team which will bid on the U.S. Navy's Harpoon Anti-Ship Missile Program. Boeing will be responsible for the missile propulsion system (including booster system for shipboard launch), aircraft integration and the air-launch missile test program. This will draw heavily on missile technology derived from the development of the Bomarc defense missile; the research, development, flight test and aircraft integration of the SRAM; and advanced work on SCAD (Subsonic Cruise Armed Decoy). It will also utilize the company's many years of experience in cruise propulsion.

- Military applications of the company's commercial aircraft appear to present significant business opportunities. A proposal featuring the Advanced 737 twinjet has been submitted in competition for the Air Force navigation-trainer program. Sixteen 737s would initially be required. The Air Force plans to use such new jet aircraft, combined with modern navigation equipment, to upgrade its navigator training program. The 737 also appears applicable to the Navy's airlift modernization program.

The Air Force's Advanced Airborne Command Post requirement, which could develop during 1971, may offer the first opportunity to place the 747 in the Air Force inventory. The company believes that the 747 also has potential as a military tanker.



■ Tucumcari: the water-jet-propelled hydrofoil gunboat which has seen Navy duty in Southeast Asia and on both coasts of the United States.

■ 347 (two views): Since mid-1970 first flight, company-funded advanced-technology helicopter has met or exceeded all its performance goals.





■ Saturn V: Apollo missions begin with impressive power of Boeing-built first-stage booster.

■ Lunar Roving Vehicle will be used this summer to transport two astronauts and their equipment as they explore the surface of the moon.

SPACE PROGRAMS

Although the nation's space program has moderated appreciably since the dramatic climax in 1969 when astronauts first set foot on the moon, company products and people continue to play a major role.

- In February, 1971, a Boeing-built first-stage (S-1C) launched Apollo 14 on its mission to the moon. It was the ninth straight time an S-1C successfully boosted the Saturn V rocket on space missions, including five flights to the moon. Although the last of the 15 S-1C boosters has been successfully test fired by a Boeing test crew at NASA's Mississippi test facility, the company will continue its work relating to Saturn V vehicle first-stages through March, 1973. The extension was caused by a re-direction of the Apollo program which called for longer periods between flights. The completed stages are stored and refurbished by Boeing at NASA's Michoud assembly facility in New Orleans, Louisiana.

The space agency also has exercised its option to continue the spacecraft systems engineering and assessment contract through 1971. Under the contract, the company provides spacecraft readiness assessments to NASA's Manned Spacecraft Center for each Apollo mission, as well as technical management assistance as required.

- Work also is progressing on the Lunar Roving Vehicle (LRV) which will accompany astronauts to the moon in mid-1971. The LRV appears deceptively simple. Actually it is a small spacecraft on wheels, and the LRV program has proved to be one of the most challenging assignments in the space program. The NASA/Industry team has had but 17 months from contract signing to delivery in which to design, thoroughly test and deliver a spacecraft with wheels capable of carrying safely two astronauts, their equipment and scientific experiments on exploration sorties over the surface of the moon. The craft must fold to fit in half the space available in a family



station wagon, yet deploy nearly automatically on the moon and operate on a hostile, dusty surface in vacuum and in temperatures that can vary over a 500-degree range.

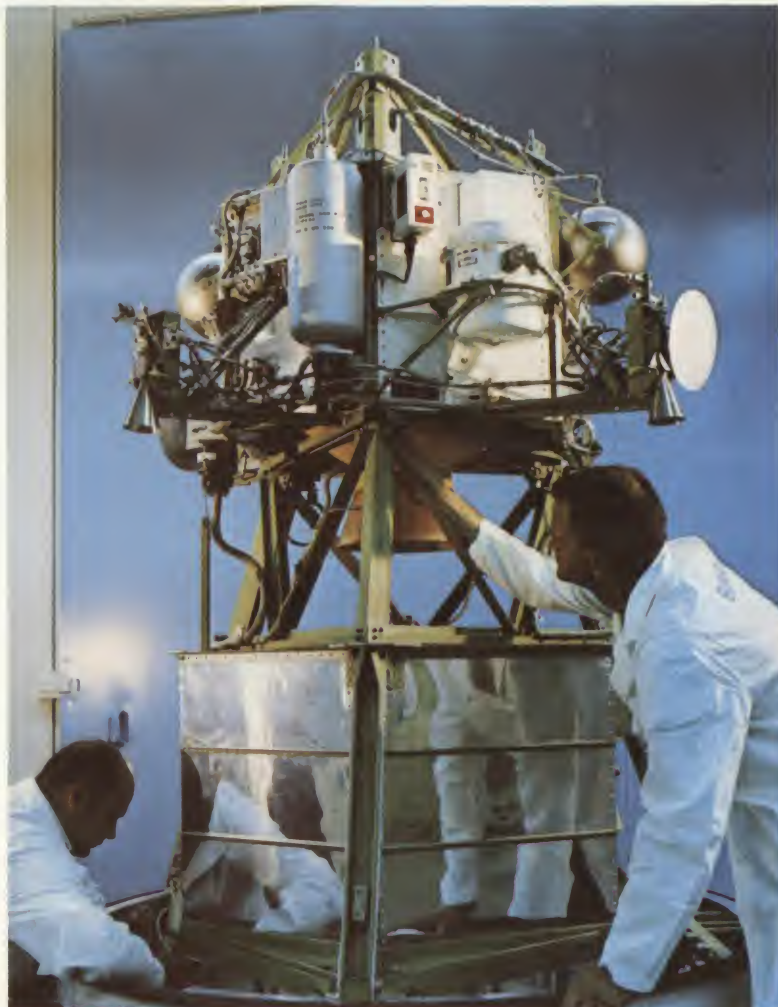
In 1970 the LRV made the transition from idea to test hardware. Eight different test vehicles were completed to prove the soundness of the design concept. Each vehicle serves a different purpose. For example, the 1-G Trainer, an earth-weight version of the moon car, is being used by the astronauts to rehearse their lunar excursion. Another unit was placed in a mockup of the lunar module's storage bay to check for any stresses or strains on the LM's structure. Two one-sixth weight units, simulating the weight of the LRV in the moon's gravity, were used in the development and qualification of the equipment required to ease the moon car from the lunar module to the moon's surface.

A qualification unit, identical to a flight model but not intended to leave earth, is being subjected to vibration, high and low temperatures and vacuum testing to prove that the moon car will withstand the lunar environment. The qualification unit prepared the way for production of the flight vehicle. Final assembly of the first flight model begins early in 1971; delivery is scheduled for April, 1971. A total of three flight model LRVs will be delivered to NASA. They are planned for moon exploration use with Apollo 15, 16 and 17.

- Under an 11-month contract from the National Aeronautics and Space Administration, a Grumman/Boeing team began work in mid-1970 on a study of alternate Space Shuttle concepts. The Space Shuttle, designed to make as many as 100 trips to and from earth orbit carrying men and materials, is directed at reducing the high costs of space launches.

During 1970, 29 different Shuttle concepts were evaluated. The most economic and technically feasible concept was selected, and the team will focus on this single design for the remainder of the contract.

Associated with Grumman and Boeing in this work is a broad range of companies, including General Electric, Eastern Air Lines, Northrop, Avions Marcel Dassault of France, Avco, Dornier of the Federal Republic of Germany and Aerojet-General.



■ New Boeing Burner IIA, a two-stage version of the highly successful Burner II used for precision placement of satellites in orbit.

- The company also is seeking a NASA contract to design, fabricate, assemble and test two spacecraft and associated equipment for a mission to Venus and Mercury. The Mariner Venus/Mercury 1973 project is the nation's first planned multi-planet mission.

To be launched in late 1973, the spacecraft would swing by Venus and fly close by Mercury. This will be the first American probe to the innermost planet. The spacecraft is expected to return close-in television pictures and to gather a variety of scientific data about both planets.

More than a year of work by the company has gone into planning for the Venus/Mercury program. The program lends itself especially well to application of the company's spacecraft systems experience, stemming from Lunar Orbiter, Saturn/Apollo and Burner II programs, and Mariner Mars '71 support work.



INTERNATIONAL OPERATIONS

The international scope of company operations, already well illustrated by its commercial aircraft activities, continued to broaden in other fields during 1970.

- Elicotteri Meridionali S.p.A. of Italy was licensed to build and sell the CH-47C helicopter. The Italian company has received orders for 40 CH-47Cs from the governments of Italy and Iran. To expedite delivery and production, the first eight complete aircraft and several sets of components will be purchased from Boeing.
- Following an intensive competition, the Australian government designated the CH-47C for its medium-lift helicopter requirement. Any resulting sales would

be made through the U.S. Armed Services.

- The Italian Navy ordered a prototype 60-ton hydrofoil gunboat from Advanced Marine Systems—Alinavi, S.p.A. Boeing is the majority owner of the company, which was formed to develop advanced commercial and military marine vessels in Europe. Work on the new water-jet-propelled, submerged-foil gunboat will be performed in Italy with technical assistance provided by Boeing.
- Boeing of Canada, Ltd., Winnipeg division, started construction in September of its facility for the production of structural fiberglass components. Plant activation is scheduled for the fall of 1971. Initial production will be for the 747.
- The company was licensed by Messerschmitt-Boelkow-Blohm GmbH (MBB) of Germany to build the BO-105, a modern-technology, rigid-rotor helicopter with considerable promise. In addition, Boeing and MBB (in which Boeing holds a slightly less than ten per cent ownership) continued to explore other opportunities in the helicopter and space fields.
- The British Aircraft Corporation (BAC) and France's Societe Nationale Industrielle Aerospatiale (SNIAS), partners in the Concorde SST project, joined with Boeing in an agreement to share information on the environmental effects of supersonic transport operations. Included are such subjects as air pollution, airport/community noise, radiation, sonic boom, weather and climate. The purpose of the exchange is to insure the compatibility of supersonic flight with the environment.

- From Boeing affiliate in Europe, Italian Navy has ordered new hydrofoil, designed for heavy weather and equipped with missiles and cannon.



BOEING COMPUTER SERVICES, INC.

Boeing Computer Services, established in May as a division, has now been incorporated as a subsidiary of The Boeing Company.

The action confirms the company's commitment to the marketing of computer services and its intention that BCS, Inc., become a major factor in the field. It also reflects an appreciation that procedures and techniques needed to market and perform computer services differ significantly from those of the aerospace business.

Although new as a company, BCS is one of the three or four largest of all computer services companies, and has a base of 20 years of Boeing computing experience.

In its first seven months of operation BCS demonstrated its ability both to meet the needs of new customers and to serve The Boeing Company, which continues to be its largest customer. During that period it signed contracts with more than 250 customers located in 27 states, the District of Columbia, Canada and Australia. These include city, county and state agencies, the Federal Water Quality Administration, Bonneville Power Administration, schools, medical groups and a variety of private companies.

It is estimated that the growing market for computer services now exceeds \$5 billion a year. Through its offices, located in four geographical districts, BCS is marketing a complete range of computer services. These include computer time sales, program services, consulting, training, data base services and facilities management.

- Boeing Computer Services does business and scientific data processing on the most advanced equipment available in the industry.

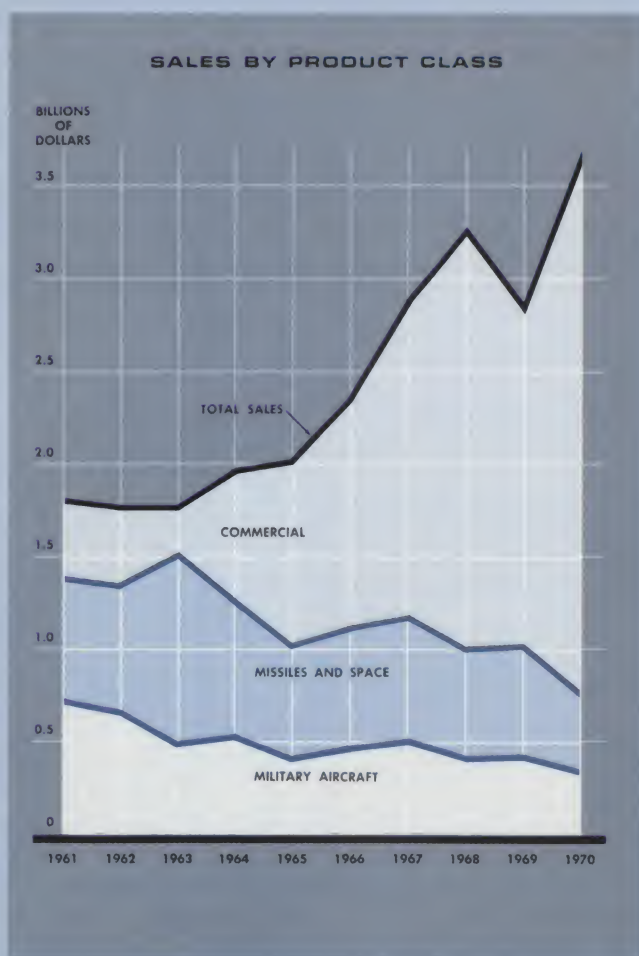


BCS

BOEING COMPUTER SERVICES, INC.



FINANCIAL REVIEW



SALES (in millions)

	1970	1969
Commercial	\$2,921	\$1,822
Missiles and Space	417	585
Military Aircraft	339	428
	<u>\$3,677</u>	<u>\$2,835</u>

With commercial jet aircraft sales more than a billion dollars higher than in the prior year, total sales of approximately three and two-thirds billion dollars in 1970 were at a record level. Included in the total is \$113 million related to the supersonic transport program. The large increase in commercial sales reflects the delivery of 92 747s in 1970 compared to only four in 1969. This increase much more than offsets the substantial decreases in sales volume of the other jet transport programs. 19 707s, 54 727s and 37 737s were delivered in 1970. Deliveries in 1969 included 59 707s, 115 727s and 114 737s.

Sales to the United States Government declined to \$756 million in 1970 from just over \$1 billion in 1969. Minuteman sales of \$152 million were \$32 million lower than in 1969, and Apollo/Saturn program sales of \$116 million were approximately \$73 million below the 1969 level. Sales of \$124 million on SRAM (Short Range Attack Missile) were down \$41 million from the prior year. AWACS (Airborne Warning and Control System) contributed \$31 million to 1970 sales. Sales on Sea Knight and Chinook Helicopter programs, at \$242 million, were \$102 million lower than in 1969. B-52 modification and maintenance sales of \$71 million were slightly above the 1969 level.

Sales in 1971 will be below the record level of 1970, reflecting lower deliveries under all jet transport programs. Current schedules call for the delivery of approximately 70 747s, 40 727s, 25 737s, and 10 707s. The total of 145 compares with 202 deliveries in 1970. Sales to the United States Government in 1971 under Department of Defense and NASA programs are expected to be approximately the same as 1970 levels. Current schedules call for reduced levels in 1971 under the Apollo/Saturn

and helicopter programs, substantially offset by increases under the AWACS program. Sales under the Minuteman, SRAM and B-52 modification and maintenance programs will continue at approximately the 1970 levels.

EARNINGS

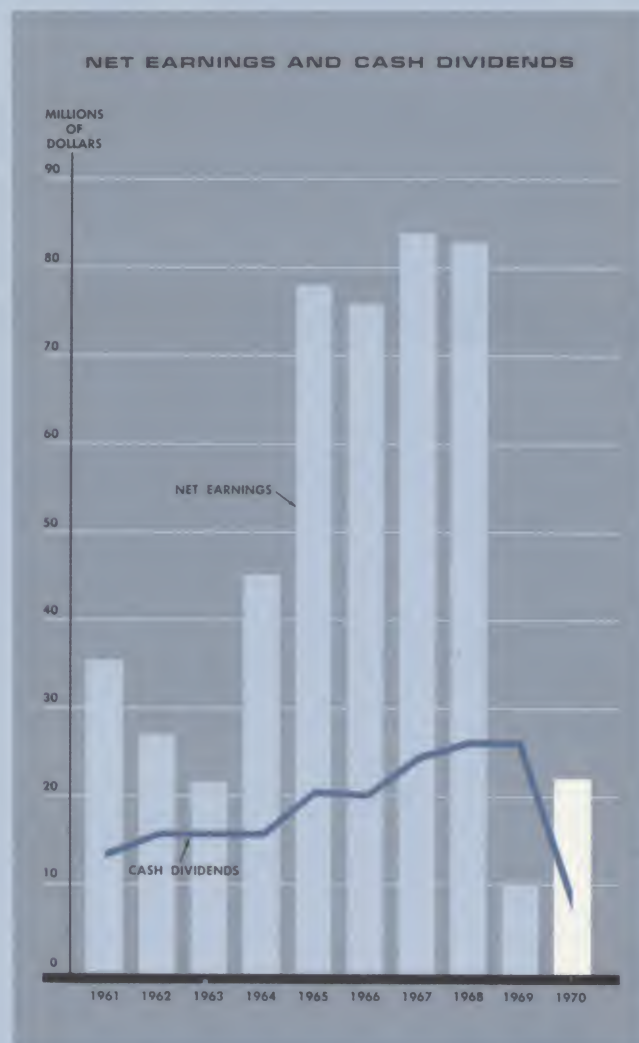
	1970	1969
Net Earnings	\$22.1	\$10.2
Profit Margin	0.6%	0.4%
Earnings per share	\$ 1.02	\$ 0.47

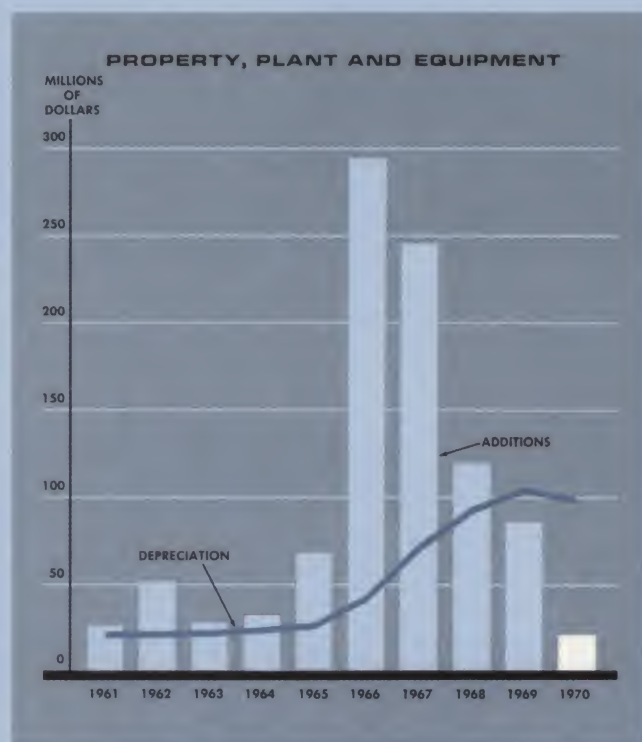
The causes of the low level of earnings from operations in 1970 are set forth in the preceding message to stockholders. The company continued its practice of charging against earnings on an incurred basis research, developmental, and basic engineering and developmental costs directly applicable to commercial jet transport programs. Administrative and general expenses incurred in support of commercial jet transport operations and the company's share of the cost of the SST prototype program also are charged against earnings.

FINANCIAL POSITION

Stockholders' equity in the company totaled \$809 million and working capital totaled \$657 million at the end of 1970. Long term debt aggregated \$727 million and included \$499 million of long-term bank loans, and \$228 million of long-term debentures and notes. Current maturities included in the above amounts were \$104 million. Short-term bank loans at year end totaled \$115 million.

The company's commercial bank credit arrangements, after being modified during the year and early in 1971, are covered by four agreements. The \$209 million revolving credit agreement was fully utilized at year end. In accordance with the terms of this agreement, the \$209 million became a term loan as of January 1, 1971 and is payable over a three-year period. The second bank credit agreement covers a \$209 million credit which provides for the banks to continue such line of credit for a twelve-





month period, with the provision that unless the company is otherwise notified, such commitment will, on a weekly basis, be extended for an additional twelve-month period. The final termination date of this agreement has been extended to December 27, 1972, at which time all outstanding borrowings are to be repaid. Borrowings under this agreement were \$115 million at December 31, 1970.

The former third bank credit agreement, with a principal amount of \$150 million, was terminated on March 31, 1970, at which time a fourth bank credit agreement providing for a \$200 million credit became effective.

The automatic extension provisions contained in the second bank credit agreement are included in this agreement with the final termination date being December 26, 1972, at which time all outstanding borrowings become payable. This credit was not being utilized at year end.

The remaining bank credit agreement covers borrowings of Boeing Financial Corporation, a wholly-owned subsidiary established to assist in financing commercial aircraft. This agreement was restructured during the year, reducing the Series A and B notes and adding a participation agreement under which the company received \$144 million against the cash flow of certain aircraft leases. Repayment requirements are tied directly to the lease cash flows. Boeing Financial Corporation may repurchase the remaining cash flows at any time and must do so on March 31, 1973, if it has not done so earlier. As of December 31, 1970, \$134 million was outstanding under this participation agreement. Series A notes of \$123 million and Series B notes of \$28 million were also outstanding at year end. Quarterly repayments of \$5.6 million and \$1.3 million, respectively, are being made against the note balances. An additional \$32 million of Series C notes is available under a revolving credit until June 30, 1971. Such notes will be repayable in quarterly amounts over a six-year period.

With internally generated funds, net of cash dividends, exceeding plant and equipment expenditures

and increased jet transport financing requirements, working capital increased by approximately \$46 million during 1970. The allowance for depreciation substantially exceeded facilities additions, with a resultant decrease of \$77 million in the company's net investment in plant and equipment to \$532 million at year end. Jet transport financing, which includes long-term notes receivable from customer airlines and the depreciated book values of leased aircraft, totaled \$316 million at the end of 1970, approximately \$18 million above the previous year-end level. An increase of \$31 million in long-term notes receivable was partially offset by the decreased book value of leased aircraft.

BACKLOG (in millions)

	1970	1969
Commercial	\$2,680	\$4,698
Missiles and Space	204	229
Military Aircraft	149	256
	<u>\$3,033</u>	<u>\$5,183</u>

All categories of unfilled order backlog declined during 1970, with the total at December 31, 1970 more than \$2 billion below the previous year-end level. The large drop in unfilled commercial orders is primarily attributable to the 1970 delivery of 92 747s against orders accumulated in prior years. Deliveries of other models of commercial jet aircraft also exceeded new orders received during the year.

The backlog of unfilled government orders decreased approximately \$132 million during 1970. Government order backlog is limited to amounts obligated to contracts by the procuring agencies. If recognition were given to unfunded amounts believed to be firmly established in Department of Defense and NASA procurement plans, unfilled orders would be significantly increased. On a gross order basis, the December 31, 1970 government backlog would be somewhat higher than at the previous year-end.

FUNDS STATEMENT 1961 - 1970

SOURCES OF FUNDS

NET EARNINGS

DEPRECIATION
OF PLANT

CAPITAL STOCK SOLD

LONG-TERM DEBT AND
DEFERRED CREDITS

USES OF FUNDS

PLANT ADDITIONS

CASH DIVIDENDS

JET TRANSPORT
FINANCING

ADDITIONS TO
WORKING CAPITAL

0 200 400 600 800 1000
MILLIONS OF DOLLARS

TEN YEAR COMPARATIVE FINANCIAL DATA

Dollars (other than per share amounts) in millions

SALES, EARNINGS AND DIVIDENDS

	SALES	EARNINGS BEFORE INCOME TAXES		NET EARNINGS			CASH DIVIDENDS	
		AMOUNT	% OF SALES	AMOUNT	% OF SALES	PER SHARE	AMOUNT	PER SHARE
1970	\$3,677	\$ 9.4	0.3	\$22.1	0.6	\$1.02	\$ 8.7	\$.40
1969	2,835	(14.3)	(0.5)	10.2	0.4	0.47	26.0	1.20
1968	3,274	149.6	4.6	83.0	2.5	3.84	26.0	1.20
1967	2,880	144.4	5.0	83.9	2.9	4.10	24.6	1.20
1966	2,357	140.6	6.0	76.1	3.2	4.13	20.2	1.10
1965	2,023	149.6	7.4	78.3	3.9	4.84	20.3	1.25
1964	1,969	89.0	4.5	45.3	2.3	2.82	16.0	1.00
1963	1,771	44.9	2.5	21.7	1.2	1.35	16.0	1.00
1962	1,769	56.3	3.2	27.2	1.5	1.70	16.0	1.00
1961	1,801	73.9	4.1	35.7	2.0	2.23	13.5	.85

FINANCIAL POSITION DATA

	WORKING CAPITAL	LONG- TERM NOTES	LEASED AIRCRAFT	PLANT AND EQUIPMENT		LONG-TERM DEBT AND DEFERRED CREDITS	STOCKHOLDERS' EQUITY	
				AT COST	NET		AMOUNT	PER SHARE
1970	\$657	\$259	\$ 57	\$1,104	\$532	\$700	\$809	\$37.33
1969	610	228	71	1,106	609	726	796	36.71
1968	467	208	90	1,032	628	587	810	37.43
1967	358	249	114	915	601	574	752	34.80
1966	434	124	86	672	426	513	564	28.91
1965	266	20	14	380	172	104	372	22.70
1964	255	1	29	315	130	113	306	19.06
1963	245	9	17	285	121	117	276	17.24
1962	197	13	10	261	115	66	270	16.89
1961	178	25	32	214	86	65	258	16.19

Notes: All per share data for prior years adjusted to reflect two-for-one stock split in 1966.

Net earnings per share based on the average number of shares outstanding during each year.

PRINCIPAL SOURCES AND USES OF FUNDS

SOURCES				USES				
NET EARNINGS	DEPRECIATION OF PLANT	CAPITAL STOCK SOLD	LONG-TERM DEBT AND DEFERRED CREDITS	CASH DIVIDENDS	ADDITIONS TO PLANT	INCREASED AIRCRAFT FINANCING	INCREASED WORKING CAPITAL	
\$22.1	\$ 98.4	\$ —	(\$ 26.6)	\$ 8.7	\$ 21.3	\$ 17.7	\$ 46.2	1970
10.2	105.3	1.4	139.7	26.0	86.9	0.6	143.5	1969
83.0	93.8	1.8	12.2	26.0	120.2	(65.2)	108.7	1968
83.9	72.3	128.6	62.3	24.6	246.5	153.0	(76.0)	1967
76.1	40.2	135.9	408.4	20.2	294.6	176.2	167.5	1966
78.3	25.5	7.3	(8.7)	20.3	67.8	3.7	11.3	1965
45.3	24.7	0.8	(4.1)	16.0	33.6	4.5	9.6	1964
21.7	21.6	0.7	51.3	16.0	28.2	3.1	48.2	1963
27.2	21.0	0.3	1.0	16.0	50.1	(34.7)	19.0	1962
35.7	20.6	0.2	(5.9)	13.5	26.8	32.4	(20.7)	1961

GENERAL INFORMATION

SHARES OUTSTANDING	BACKLOG	FLOOR AREA (In Million Square Feet)			EMPLOYEES		
		BOEING OWNED	LEASED	GOV'T OWNED	AVERAGE NUMBER	SALARIES AND WAGES	
21,683,102	\$3,033	25.0	2.3	8.0	79,100	\$ 943	1970
21,683,102	5,183	25.1	3.8	10.4	120,500	1,322	1969
21,647,363	5,176	24.7	4.1	10.7	142,400	1,411	1968
21,597,356	5,893	22.9	4.3	10.7	142,700	1,305	1967
19,496,519	5,283	19.9	3.6	10.6	128,500	1,148	1966
16,374,280	3,148	12.5	2.5	11.4	93,400	813	1965
16,073,972	1,844	11.3	2.1	11.2	90,900	758	1964
16,025,136	1,815	11.1	2.0	11.2	100,400	803	1963
15,984,752	1,620	10.8	2.3	10.8	104,100	768	1962
15,964,860	1,869	7.2	1.9	11.8	89,800	629	1961

CONSOLIDATED BALANCE SHEETASSETS

	<u>December 31,</u>	
	<u>1970</u>	<u>1969</u>
CURRENT ASSETS:		
Cash	\$ 63,265,000	\$ 81,205,000
Amounts receivable under United States Government contracts	101,578,000	86,810,000
Refundable taxes on income — Note 2	4,472,000	9,647,000
Other accounts and notes receivable — Note 3	102,465,000	105,334,000
Inventories — Note 1	1,490,564,000	1,395,565,000
Prepaid expenses	6,904,000	11,967,000
Total Current Assets	1,769,248,000	1,690,528,000
 LONG-TERM NOTES RECEIVABLE — Note 3.	 258,913,000	 227,554,000
 LEASED AIRCRAFT, at cost, less accumulated depreciation: 1970 \$83,466,000; 1969, \$69,582,000 — Note 3	 57,289,000	 70,901,000
 OTHER ASSETS AND DEFERRED CHARGES	 4,187,000	 4,244,000
 PROPERTY, PLANT AND EQUIPMENT, at cost:		
Land	26,903,000	26,519,000
Buildings	515,810,000	519,277,000
Machinery and equipment	554,705,000	547,841,000
Construction in progress	7,029,000	11,967,000
Less accumulated depreciation and amortization	(572,265,000)	(496,387,000)
	<u>532,182,000</u>	<u>609,217,000</u>
	<u><u>\$2,621,819,000</u></u>	<u><u>\$2,602,444,000</u></u>

See notes to consolidated financial statements.

LIABILITIES AND STOCKHOLDERS' EQUITY

December 31,

1970

1969

CURRENT LIABILITIES:

Notes payable to banks – Note 3	\$ 114,950,000	\$ 148,253,000
Accounts payable	759,865,000	736,150,000
Salaries and wages, taxes, and other accrued expenses	134,238,000	155,706,000
Current portion of long-term debt	103,577,000	39,952,000
Total Current Liabilities	1,112,630,000	1,080,061,000

DEFERRED TAXES ON INCOME – Note 2 17,200,000 25,100,000

DEFERRED INVESTMENT CREDIT – Note 2. 58,800,000 68,800,000

**LONG-TERM DEBT, less current
portion – Note 3** 623,756,000 632,467,000

STOCKHOLDERS' EQUITY:

Capital stock, par value \$5 a share – Authorized, 30,000,000 shares Issued and outstanding at stated value: 21,683,102 shares – Note 5	447,040,000	447,040,000
Retained earnings – Note 3	362,393,000	348,976,000
	<u>809,433,000</u>	<u>796,016,000</u>
	<u>\$2,621,819,000</u>	<u>\$2,602,444,000</u>

**CONSOLIDATED STATEMENT OF
NET EARNINGS AND RETAINED EARNINGS**

	<i>Year ended December 31,</i>	
	<u>1970</u>	<u>1969</u>
Sales	\$3,677,073,000	\$2,834,585,000
Other income	41,859,000	32,417,000
	<u>3,718,932,000</u>	<u>2,867,002,000</u>
Costs and expenses – Notes 1 and 4	3,632,924,000	2,832,527,000
Interest and debt expense	76,618,000	48,745,000
	<u>3,709,542,000</u>	<u>2,881,272,000</u>
EARNINGS (LOSS) BEFORE TAXES	9,390,000	(14,270,000)
Federal taxes on income (tax credits) – Note 2	(12,700,000)	(24,500,000)
NET EARNINGS	<u>22,090,000</u>	<u>10,230,000</u>
Retained earnings, January 1	348,976,000	364,744,000
Cash dividends paid; 1970, \$.40 per share; 1969, \$1.20 per share	(8,673,000)	(25,998,000)
Retained earnings, December 31	<u>\$ 362,393,000</u>	<u>\$ 348,976,000</u>
Earnings per share	<u>\$1.02</u>	<u>\$.47</u>

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SOURCES AND USES OF FUNDS

	<i>Year ended December 31,</i>	
	<u>1970</u>	<u>1969</u>
SOURCES OF FUNDS:		
From operations —		
Net earnings	\$ 22,090,000	\$ 10,230,000
Depreciation —		
Plant and equipment	98,372,000	105,325,000
Leased aircraft	14,523,000	16,901,000
Less amortization of investment credit	(17,300,000)	(17,000,000)
	<u>117,685,000</u>	<u>115,456,000</u>
Proceeds from sale of capital stock		1,423,000
	<u>117,685,000</u>	<u>116,879,000</u>
USES OF FUNDS:		
Additions to plant and equipment, net	21,337,000	86,907,000
Increases (decreases) in aircraft financing—		
Long-term notes receivable	31,359,000	20,022,000
Leased aircraft	911,000	(2,527,000)
Decreases (increases) in long-term debt	8,711,000	(161,975,000)
Decrease in deferred credits	600,000	5,239,000
Cash dividends	8,673,000	25,998,000
Other	(57,000)	(251,000)
	<u>71,534,000</u>	<u>(26,587,000)</u>
NET INCREASE IN WORKING CAPITAL	<u><u>\$ 46,151,000</u></u>	<u><u>\$143,466,000</u></u>

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1—INVENTORIES:

Inventories at December 31 include the following:

	1970	1969
Work-in-process	\$2,384,237,000	\$2,797,755,000
Commercial spare parts and general stock, at average cost, not in excess of realizable value	62,770,000	93,821,000
	<u>2,447,007,000</u>	<u>2,891,576,000</u>
Less advances and progress payments	956,443,000	1,496,011,000
	<u>\$1,490,564,000</u>	<u>\$1,395,565,000</u>

Work-in-process on Government fixed-price incentive type contracts is stated at the total of direct engineering, developmental, production and tooling costs and overhead applicable thereto, less the estimated average cost of deliveries based on the estimated total cost of the contracts. Work-in-process on straight fixed-price contracts is stated in the same manner, except that applicable research, developmental, administrative, and other general expenses are charged directly to earnings as incurred. Basic engineering and planning costs applicable to commercial jet transport programs are also charged directly to earnings. To the extent that estimated program costs, determined in the above manner, are expected to exceed total sales price, charges are made to current earnings in order to reduce work-in-process to estimated realizable value.

In accordance with industry practice, substantial amounts relating to programs having long production cycles are included in work-in-process, a portion of which is not expected to be realized within one year.

Note 2—FEDERAL INCOME TAXES:

The provision for Federal taxes on income (tax credits) is composed of:

	1970	1969
Taxes currently payable (refundable)	\$ 9,000,000	\$ (4,900,000)
Tax effect of timing differences	(4,400,000)	(2,600,000)
Amortization of investment tax credit	(17,300,000)	(17,000,000)
	<u>\$(12,700,000)</u>	<u>\$(24,500,000)</u>

Investment tax credit is being deferred and amortized ratably over the lives of the applicable assets.

Deferred taxes on income (principally arising from installment sales of commercial aircraft) have been reduced at December 31, 1970 by \$16,900,000 of the deferred investment tax credit reportable in future years' income tax returns.

Income taxes have been settled with the Internal Revenue Service for all years through 1968. Adequate provision for income taxes is believed to have been made for the years 1969 and 1970.

Note 3—NOTES PAYABLE AND LONG-TERM DEBT:

Short-term notes payable aggregating \$114,950,000 are payable to a group of banks under agreements providing a line of credit which currently aggregates \$409,000,000. The notes bear interest at $\frac{1}{2}\%$ above the prime commercial bank rate. In addition, commitment fees of $\frac{1}{2}\%$ are charged for the unused portion of the credit line.

Long-term debt consists of the following:

	December 31,	
	1970	1969
Revolving Credit notes	\$209,000,000	\$209,000,000
Term Loan and Credit Agreement	285,923,000	225,929,000
6 $\frac{3}{8}\%$ notes payable	175,000,000	175,000,000
5% notes payable	36,250,000	39,000,000
5% Sinking Fund Debentures	16,672,000	18,394,000
Other notes	4,488,000	5,096,000
Less current maturities	(103,577,000)	(39,952,000)
	<u>\$623,756,000</u>	<u>\$632,467,000</u>

Under a Revolving Credit Agreement with a group of banks, the outstanding balance at December 31, 1970 is payable over the three-year period ending December 31, 1973. These notes bear interest at $\frac{1}{4}\%$ above the prime rate. Borrowings under the agreement may be prepaid at any time without penalty.

Boeing Financial Corporation, a wholly-owned subsidiary, is a party to a Term Loan and Credit Agreement with a group of banks. An additional credit of \$32,000,000 is available under the agreement. The collateral for the balance outstanding at December 31, 1970 is limited to \$263,885,000 of notes receivable and \$45,563,000 of leased aircraft included in the consolidated balance sheet. Of the outstanding balance at December 31, 1970, \$151,522,000 is payable in quarterly installments of \$6,888,000 plus interest at $\frac{1}{4}\frac{1}{2}\%$ above the prime rate. The remaining \$134,401,000 is payable in monthly installments of \$1,069,000, plus interest at $\frac{3}{4}\%$ above the prime rate, through March 31, 1973, at which date the remaining balance becomes due.

The 6 $\frac{3}{8}\%$ notes, maturing in 1986, are payable to a group of institutional lenders. Required annual sinking fund payments commencing in 1971 are \$10,750,000.

The 5% notes, maturing in 1983, are payable to an insurance company in annual installments of \$2,750,000.

Sinking fund requirements under the 5% Sinking Fund Debentures, due in 1978, are \$2,700,000 annually. Debentures aggregating \$1,728,000 have been reacquired and may be applied against future sinking fund requirements.

The other notes bear interest at 6% to 8%, and are payable in installments over various periods through 1977.

The Company has complied with all of the restrictive covenants contained in the various debt agreements. Retained earnings totaling \$234,020,000 are free from dividend restrictions.

Aggregate maturities and sinking fund requirements on long-term debt for each of the next five years are as follows:

1971	\$103,577,000
1972	113,509,000
1973	252,653,000
1974	83,356,000
1975	62,447,000

Note 4—OPERATING CHARGES:

The following charges were incurred in the years ended December 31:

	<u>1970</u>	<u>1969</u>
Depreciation and amortization of plant and equipment (principally sum-of-the-years-digits method)	\$98,372,000	\$105,325,000
Depreciation of leased aircraft (sum-of-the-years-digits method)	14,523,000	16,901,000
Retirement plans . . .	25,330,000	36,336,000

The Company has several retirement plans covering substantially all employees. The Company's policy is to accrue current pension costs.

Note 5—CAPITAL STOCK:

Changes in capital stock during the two years ended December 31, 1970 were as follows:

	<u>Shares</u>	<u>Amount</u>
Balance at January 1, 1969	21,647,363	\$445,617,000
Shares sold to officers and employees— Under incentive compensation plan . .	27,575	1,279,000
Under stock option plan	8,164	144,000
Balance at December 31, 1969 and 1970 (No change during 1970) .	<u>21,683,102</u>	<u>\$447,040,000</u>

At December 31, 1970, options for 362,577 shares of the Company's stock, at prices ranging from \$19.87 to \$71.00 were outstanding, of which 162,902 shares were exercisable. During 1970, options for 181,300 shares were granted and options for 11,600 shares were canceled. Additional options for 471,700 shares may be granted under the present stock option plan.

Note 6—CONTINGENT LIABILITIES:

Substantially all of the Company's contracts with the Government are subject to renegotiation under the Renegotiation Act of 1951. Renegotiation Board proceedings for all years through 1966 have been concluded. The Company does not know and cannot predict what the Board's actions will be for 1967 and subsequent years. In view of this uncertainty, and the belief of the Company that no excessive profits were realized, no provision for renegotiation refund has been made for these years.

The Company is engaged in various legal proceedings which in some instances involve claims for substantial amounts. Most of these claims are covered by insurance, and the Company does not anticipate that the amounts, if any, which may be required to be paid by the Company will be material.

ACCOUNTANTS' REPORT**TOUCHE ROSS & CO.**

1212 IBM BUILDING
SEATTLE, WASHINGTON 98101

February 26, 1971

Board of Directors
The Boeing Company
Seattle, Washington

We have examined the accompanying consolidated balance sheet of The Boeing Company and subsidiaries as of December 31, 1970 and 1969, and the related statements of net earnings and retained earnings and sources and uses of funds for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of The Boeing Company and subsidiaries at December 31, 1970 and 1969, the results of their operations and the sources and uses of funds for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.
Certified Public Accountants



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SST Division
Commercial Airplane Group

*Director

The Boeing Company is composed of an administrative headquarters organization, two product groups and fourteen operating divisions.

Corporate headquarters, the Field Operations and Support division and the Aerospace Group's Military Airplane Systems and Naval Systems divisions are based at Seattle, Washington.

The Aerospace Group Headquarters, its Information Systems, Research and Engineering, Space, Spacecraft and Strategic Missile Systems divisions are based at Kent, Washington.

Headquarters of the Commercial Airplane Group and of its 707/727/737 division are at Renton, Washington, while its SST division is at Seattle and its 747 division at Everett, Washington. The Fabrication and Services division is at Auburn, Washington.

The Wichita division is at Wichita, Kansas; and the Vertol division near Philadelphia, Pennsylvania.

The company has six wholly-owned subsidiaries: Boeing International Corporation; the Boeing Financial Corporation, and the Boeing Equipment Holding Company, all with principal offices in Seattle; Boeing Computer Services, Inc., and Boeing Housing Finance Corporation at Kent, Washington; and Boeing of Canada, Ltd., with a division at Arnprior, Ontario, and another at Winnipeg, Manitoba.

GENERAL COUNSEL	PERKINS, COIE, STONE, OLSEN & WILLIAMS
GENERAL AUDITORS	TOUCHE ROSS & CO.
TRANSFER AGENT	FIRST NATIONAL CITY BANK, NEW YORK
REGISTRAR	BANKERS TRUST COMPANY, NEW YORK

THE **BOEING** COMPANY

GENERAL OFFICES — 7755 EAST MARGINAL WAY SOUTH — SEATTLE, WASHINGTON 98124





■ 747 on test flight is a familiar sight over the towering peaks of the Pacific Northwest.

THE **BOEING** COMPANY

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